

Interim Condominium Mortgage Purchase Approval Guidelines
Effective October 22, 2007

NOTE: Until Fannie Mae finalizes changes in its procedures for condominium (“condo”) unit approvals, these condo mortgage purchase guidelines are effective on an interim basis.

MBOH will consider purchase of a mortgage only for a condo unit that fits all of the following criteria:

1. Unit approval by FHA or Fannie Mae:
 - a. FHA approval: the condo unit must either be located in a project on the list of FHA approved projects or be approved on a spot-approval basis; or
 - b. Fannie Mae approval: the condo unit must either be on the list of Fannie Mae approved projects, or be approved through the Fannie Mae Condo Project Manager by the originator. No limited review unit approvals will be accepted.
2. Percentage of units in project owned by MBOH:
 - a. Effective October 8, 2007, no more than 25% of the total number of condo units in any project may be financed by MBOH,
 - b. Exceptions may be made by MBOH staff primarily for disabled access units.

NOTE: A mortgage purchase for a unit in a condo project of 4 units or fewer that does not meet the above criteria may be purchased on a case-by-case basis at the discretion of MBOH staff.

Reservation of Condo units

Reservations for mortgage purchases for condo units will no longer be automatic. Reservations in projects that exceed 25% units financed by MBOH will not be approved. Lenders must submit the following at the time of reservation request for review by staff:

1. Proof of projector approval from FHA list, or copy of FHA spot approval, or copy of CPM* certificate from originating lender specific to the unit.
2. Copy of completed and signed Condo Association Questionnaire for CPM* units.

* CPM is Fannie Mae’s Condo Project Manager process

**MBOH Guidelines for Hazard Insurance Coverage for Condominium Units
(October 5, 2007)**

1. The condominium association must have a master hazard insurance policy covering the condominium project's common elements that includes the following language: "MBOH, its successors and assigns, is the mortgagee for _____(insert unit designation, e.g. unit number or address, to identify the specific unit financed by MBOH mortgage)." Written verification that this language is in the master policy must be submitted to MBOH.
2. Information from the master policy regarding the amount of insurance coverage for the common elements covered by the master policy and the total number of units covered by the amount of insurance coverage must be submitted in writing to MBOH.
3. A borrower must have individual hazard insurance coverage on the unit's "interior fixtures and amenities" or similarly worded coverage sufficient to cover the replacement costs for the interior of the unit. Insurance policies must indicate a value for the replacement coverage and the level of coverage must be adequate and not leave the borrower as a "co-insurer"* by default.
4. MBOH must be listed as the mortgagee on the hazard insurance policy for the unit.
5. If the lender can demonstrate that the condominium master policy covers the unit's "interior fixtures and amenities" to a level adequate to prevent the borrower by default being a "co-insurer"* of the property, the requirement for individual hazard insurance on the unit's interior fixtures and amenities may be waived at MBOH discretion.

NOTE: MBOH strongly encourages lenders to urge borrowers to have loss assessment coverage for \$10,000 to \$25,000 as part of their hazard insurance. Condo associations often choose not to file a claim for an expense, and assess the expense to the individual owners on a pro rata basis instead. Loss assessment coverage prevents these additional payments from falling on the new homeowner.

* A borrower becomes a "co-insurer" by default when the replacement coverage on a unit is not sufficient to return the unit to its pre-loss condition and the borrower has to pay the costs not covered by the master policy and individual hazard insurance policy. MBOH requires that the borrower have sufficient insurance coverage so that the borrower does not become a "co-insurer" by default.